



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
On the 3rd day of November, 2003

Essential Air Service at

**CENTRAL, ALASKA
CIRCLE, ALASKA**

under 49 U.S.C. 41731 *et seq.*

Docket OST-1998-3621

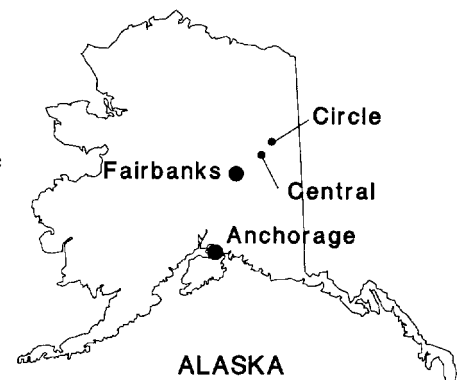
**ORDER SELECTING CARRIER
AND SETTING FINAL RATE**

Summary

By this order, the Department is reselecting Warbelow's Air Ventures, Inc., (Warbelow's) to continue providing essential air service at Central and Circle, Alaska, for the period beginning December 1, 2003, and ending November 30, 2005, at an annual subsidy of \$56,932.

Background

By Order 2000-10-5, issued October 3, 2000, Warbelow's Air Ventures, Inc. (Warbelow's) was reselected to continue providing essential air service at Central and Circle, Alaska, for an additional two-year period. Subsidy was set at an annual rate of \$35,951 for the two-year period through June 30, 2002, for five round trips a week, four with eight-seat Piper Navajo equipment and one with five-seat Cessna 206/207 equipment, over the routing Fairbanks-Central-Circle-Fairbanks.¹



¹ Warbelow's was permitted to operate service via intermediate points provided such service did not result in more than two stops in either the Central-Fairbanks market or the Circle-Fairbanks market.

As a result of the terrorist attacks of September 11, 2001, the Department issued Order 2002-2-13, February 15, 2002, authorizing increases in subsidy rates for Warbelow's (and all subsidized EAS carriers), subject to retroactive adjustment to October 1, 2001. Warbelow's adjusted annual rate for Central and Circle was \$51,386.²

Warbelow's two-year rate term expired on June 30, 2002, and by Order 2002-7-25, issued July 17, 2002, the Department requested proposals from all carriers interested in providing essential air service at these two communities.³ In response to that order, two carriers--Warbelow's and Servant Air, Inc.--submitted proposals.

Carrier Proposals

Warbelow's proposes to provide five round trips each week over a Fairbanks-Central-Circle-Fairbanks routing, all with 8-seat, Piper Navajo, twin-engine aircraft. Subsidy for this service would be \$56,932 per year for a two-year rate term.

Servant Air proposes to provide five round trips each week over a Fairbanks-Central-Circle-Fairbanks routing, with 5-seat, Piper Lance, single-engine aircraft. Subsidy for this service would be \$128,787 per year for a two-year rate term.

Community Comments

The State of Alaska Department of Transportation and Public Facilities states that its files indicate that both Warbelow's and Servant Air are reputable companies and in compliance with the Alaska Statute requirements for insurance coverage. The State DOT further states that it finds no compelling reason to recommend one company over the other.

Selection Decision

After careful review of this matter, including the comments submitted by the State DOT, we have decided to reselect Warbelow's to continue to provide essential air service to Central and Circle. We will set a final subsidy rate of \$56,932 per year for this service for the period beginning December 1, 2003, through November 30, 2005. The service and subsidy levels proposed by Warbelow's appear reasonable.⁴

We have decided to reselect Warbelow's. It is the incumbent carrier and thus has experience operating in the market. Moreover, its subsidy request is less than half of Servant Air's--\$56,932 compared to Servant Air's \$128,787. We note also that it will provide all of its service with twin-engine Piper Navajo aircraft as opposed to Servant

² By Order 2003-10-9, October 7, 2003, we set a final rate for Warbelow's service at Circle and Central at \$56,932 for the period December 7, 2002, until further Department action.

³ Under normal circumstances, we would have issued a "show cause" order tentatively reselecting Warbelow's for a new two-year rate term. Any carrier objecting to the selection could have submitted a competing proposal in response to that order and we would have processed a carrier selection case. However, another carrier had previously indicated to us its desire to serve these communities, and we thus bypassed that step and immediately issued the order requesting proposals.

⁴ See Appendix B for a detailed calculation of Warbelow's compensation requirement.

Air's single-engine aircraft. Finally, the State would be satisfied with the selection of either carrier, so we find no reason not to reselect the incumbent, which will provide more capacity at less subsidy cost to the taxpayer.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. Warbelow's is a certificated air carrier and the Department most recently found the carrier fit in conjunction with its previous selection, in Order 2000-10-5, to provide essential air service at Central and Circle. The Department routinely monitors the carrier's continuing fitness and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Warbelow's Air Ventures is fit. Based on the above, we find that Warbelow's Air Ventures is fit to provide the essential air transportation at issue in this case.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY

1. The Department selects Warbelow's Air Ventures, Inc., to provide essential air service at Central and Circle, Alaska, as described in Appendix A, for the period beginning December 1, 2003, and ending November 30, 2005;
2. The Department sets the final rate of compensation for Warbelow's Air Ventures, Inc., for the provision of essential air service at Central and Circle, Alaska, as described in Appendix A, for the period beginning December 1, 2003, and ending November 30, 2005, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix A, and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by \$54.74;⁵
3. We direct Warbelow's Air Ventures, Inc., to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

⁵ See Appendix A for the calculation of this rate.

4. We find that Warbelow's Air Ventures, Inc., is fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at Central and Circle, Alaska; and

5. We will serve a copy of this order on the Circle Village Council, the Alaska Department of Transportation and Public Facilities, the Governor of Alaska, Warbelow's Air Ventures and, Servant Air.

By:

MICHAEL W. REYNOLDS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov/>*

**WARBELOW'S AIR VENTURES
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
CENTRAL AND CIRCLE, ALASKA**

Effective Period: December 1, 2003, through November 30, 2005

Service: Five weekly round trips routed Fairbanks-Central-Circle-Fairbanks

Aircraft: Piper Navajo (8 passenger seats)

Timing of Flights: Flights must be well timed and well spaced to ensure full compensation.

Subsidy Rate: \$56,932 per year
\$54.74 per arrival from or departure to Fairbanks ¹

This rate assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

Weekly Compensation Ceilings at Central and at Circle: \$547.40 ²

¹ Annual compensation of \$56,932, divided 2 communities, divided by 520 flights, calculated as follows
5 round trips per week x 2 directions x 52 weeks.

² The subsidy rate for each arrival/departure (\$54.74) multiplied by the number of scheduled subsidy-eligible flights per week (10).

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Appendix B

WARBELOW'S AIR VENTURES ESSENTIAL AIR SERVICE TO BE PROVIDED AT CENTRAL AND CIRCLR, ALASKA CALCULATION OF SUBSIDY REQUIREMENT

Circle Revenue

Passenger	\$31,584
Freight	8,560
Mail	<u>49,981</u>
Total Circle Revenue	\$90,125

Central Revenue

Passenger	\$1,968
Freight	6,467
Mail	<u>46,594</u>
Total Central Revenue	\$55,029

Total Revenue	\$145,154
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Direct Expenses

Pilot	\$25,856
Fuel	35,519
Hull Insurance	4,614
Maintenance.	63,573
Depreciation/Rental.	<u>8,941</u>
Total Direct Expenses	\$138,503

Indirect Expenses	\$53,960
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Total Operating Expenses	\$192,463
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Profit @ 5%	<u>\$9,623</u>
Economic Cost	\$202,086

Annual Subsidy	\$56,932
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